

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	

REPLY COMMENTS of ADTRAN, INC.

ADTRAN, Inc. (“ADTRAN”) files these Reply Comments in response to some of the submissions responding to the Commission’s Further Notice of Proposed Rulemaking concerning potential changes to the Connect America Fund (“CAF”) Phase I broadband deployment subsidy program.¹ In its initial comments, ADTRAN demonstrated that the public interest would best be served by creating a second round of CAF Phase I with the \$185 million remaining from the first round, along with another \$300 million of new funding, and awarding that money to the price cap carriers to spur short term deployment of broadband to unserved and/or underserved customers. ADTRAN also urged the Commission to make some minor revisions to the CAF Phase I rules so that the funds could be used more effectively in the second round. ADTRAN continues to believe this is the best course of action, notwithstanding the comments of some of the other parties.

ADTRAN Urges the Commission to Reject Requests in the Initial Comments to Retarget or Repurpose CAF Phase I

A few of the initial comments sought to have the Commission fundamentally change the nature of CAF Phase I, which was intended as an interim program to spur broadband deployment

¹ *Connect America Fund*, Further Notice of Proposed Rulemaking, FCC 12-138, released November 19, 2012 (“*Further NPRM*”).

in the near term by price cap carriers while the Commission completed the design and implementation of CAF Phase II. These commenters would have the Commission take some or all of the CAF Phase I funds and apply them to alternative purposes. For example, ViaSat asks the Commission to apply the remaining first round CAF Phase I funds to the Remote Area Fund.² The Massachusetts Department of Telecommunications and Cable, along with the Massachusetts Broadband Institute, suggest that the Commission should use the \$185 million remaining from the first round of CAF Phase I to create a one-time CAF pilot program, with the money distributed to wireline competitive carriers via a reverse auction.³

United States Cellular Corporation (“U.S. Cellular”) proposes that the Commission use the unspent CAF Phase I funds to subsidize deployment of 4G LTE mobile broadband networks in areas that are unserved by “broadband” with speeds in excess of 768 kbps/200 kbps.⁴

TransWorld urges the Commission expeditiously “establish universal service funding

² ViaSat Comments at p. 10 (“Accordingly, if the Commission chooses not to restructure the CAF as a whole, it should at least divert remaining Phase I funding to the Remote Areas Fund, so that it can be used for the benefit of the consumers most in need of immediate support.”).

³ Massachusetts Department of Telecommunications and Cable Comments at p. 2; Massachusetts Broadband Institute Comments at p. 2.

⁴ U.S. Cellular Comments at p. iv. In attempting to justify such a shift, U.S. Cellular asserted in its Comments at p. 6 that:

Price cap carriers—by rejecting more than 60 percent of available CAF Phase I support—have made it evident that they either cannot or will not deploy broadband networks unless the Commission ignores established cost models to better accommodate their interests.

Such a claim ignores the fact that the CAF Phase I support level of \$775 per location was not based on an “established cost model,” but rather was a “rough cut” guesstimate. *See* ADTRAN Comments at pp. 11-12.

mechanisms for competitive non-mobile carriers, like TransWorld, to receive support for serving unserved census blocks within price cap telephone company areas.”⁵ Mescalero Apache Telecom, Inc. (“MATI”) suggests that the Commission allocate the \$185 million from the first round of CAF Phase I to Tribal areas, and to those carriers that are Tribally-owned.⁶ And Sandwich Isles Communications, Inc. (“Sandwich Isles”) urges the Commission to grant preferences in CAF funding to providers serving Tribal Lands.⁷

The National Cable Television Association (“NCTA”) suggests that the Commission should generally open up CAF Phase I to any interested provider that is willing to bring broadband to unserved consumers pursuant to an auction.⁸ Likewise, the SouthEast Association of Telecommunications Officers and Advisors (“SEATOA”) contends that the Commission should allow any entity to apply for CAF support.⁹ ADTRAN urges the Commission to reject each of these requests to repurpose CAF Phase I, because none of these alternatives would accomplish the Commission’s goal of quickly spurring broadband deployment under the current mechanism (with a few “tweaks” as proposed in the *Further NPRM*).

⁵ TransWorld Comments at p. 1.

⁶ MATI Comments at p. 5.

⁷ Sandwich Isles Comments at pp. 2-3.

⁸ NCTA Comments at pp 4-5:

Before abandoning this laudable goal and diverting support away from consumers that lack even a basic level of broadband service, the Commission should offer incremental CAF Phase I support to providers other than the incumbent LECs. To do this, the Commission should allow any provider willing and able to meet the requirements of receiving incremental CAF Phase I support to bid on the areas and number of unserved locations to which they will provide broadband.

⁹ SEATOA Comments at p. 6.

With regard to ViaSat's suggestion to shift the remaining CAF Phase I funds to the Remote Area Fund, ADTRAN notes that the Commission has already decided to allocate significant resources to that purpose -- \$100 million annually. Moreover, while satellite broadband does have some positive attributes for serving the most remote areas economically, the Commission recognizes that satellite services cannot currently provide equivalence to terrestrial services for two of the three critical attributes of "broadband" -- capacity and latency (with speed being the third component).¹⁰ ADTRAN also observes that a further constraint on ViaSat's ability to provide broadband service quickly is the limited footprint of its new satellite services. As reflected in its coverage map (a copy of which is appended to these Reply Comments), a large swath of the United States is not included within the ViaSat footprint. While subsequent satellite launches by ViaSat may be able to rectify this shortcoming, it will not be alleviated in the near term.

ADTRAN also takes issue with ViaSat's characterization of DSL as an "antiquated technology."¹¹ While that may be true with regard to the voice PSTN, continuing enhancements

¹⁰ E.g., *USF/ICC Transformation Order*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (Nov. 18, 2011) ("*USF/ICC Transformation Order*") at ¶¶ 88, 104 and 1241 and n. 1241.

¹¹ ViaSat Comments at n. 4:

Among other things, the existing CAF program rules incent ILECs to build networks based on antiquated technologies that rely on the public-switched telephone network ("PSTN"), including DSL technologies. As AT&T has acknowledged, the PSTN "is now an obsolete platform, or at least a rapidly obsolescing platform" that "will not be sustainable for the indefinite future." See Jon Brodtkin, "*The telephone network is obsolete*": *Get ready for the all-IP telco*, ARSTECHNICA (Jan. 7, 2013), at <http://arstechnica.com/information-technology/2013/01/the-telephone-network-is-obsolete-get-ready-for-the-all-ip-telco/> (reporting on the panel presentation of Hank Hulquist, AT&T's Vice

to DSL technologies have greatly enhanced the capabilities of copper loops. Using VDSL2 technology and two-pair bonded loops, broadband download speeds of 80 Mbps can be provided on loop lengths up to 2500 feet. Alternatively, using ADSL2+ technology and two-pair bonded loops, the subscriber can get download speeds of 25 Mbps on loop lengths of up to 10,000 feet. In addition, using vectoring, DSL download speeds of 100 Mbps can be provided on loops of up to 1000 feet over a single copper loop pair, or that same speed can be provided at up to 2500 feet with two-pair bonding. The broadband services that will be provided by the price cap carriers under the CAF Phase I program will be robust.

ADTRAN also urges the Commission to reject the other calls for repurposing CAF Phase I. Converting that fund to a subsidy pool for Tribal areas (MATI and Sandwich Isles), 4G LTE mobile broadband networks (U.S. Cellular), competitive carriers (TransWorld), pilot projects (Massachusetts Department of Telecommunications and Cable and the Massachusetts Broadband Institute) or generally opening up eligibility (NCTA and NATOA) would introduce significant delay as the Commission had to create new rules and procedures for awarding these funds to such new classes of providers. In contrast, continuing CAF Phase I (with some minor refinements) will quickly allow unserved and underserved customers to gain access to broadband services. Moreover, the Commission has already created separate funds for remote areas, Tribal areas and mobile broadband,¹² and those programs should be implemented in the not-too-distant future. The commenters simply have not made a valid case for repurposing CAF Phase I.

President for Federal Regulatory Affairs, at the 2013 Consumer Electronics Show).

¹² *E.g., USF/ICC Transformation Order* at, 30, 479, 493 and 533. In addition to these new subsidy programs, many wireless carriers continue to receive subsidies under the old system, with those subsidies based on the costs of the Incumbent carriers, although those subsidies are being phased out over a five-year period beginning in 2012. *Id.* at ¶ 513.

ADTRAN Urges the Commission to Reject Requests in the Initial Comments to Use Unclaimed First Round Funds for CAF Phase II or to Reduce the USF Budget

In its initial comments, ADTRAN explained why the first option for use of the unclaimed CAF Phase I funds in the *Further NPRM* – combining that money with a second round of CAF Phase I – would best serve the public interest by spurring broadband deployment in the near term. A few of the commenting parties urged the Commission not to take this approach, but they failed to present any convincing arguments for the Commission to deviate from its previously chosen path.

The Competitive Carrier Association urged the Commission to terminate CAF Phase I and allocate the unused \$185 million to CAF Phase II (and then also modify CAF Phase II to provide additional funding to wireless carriers).¹³ Mediacom suggests that: “Unused first round Phase I funds should be allocated to Phase II, where disbursements can be better targeted and controlled.”¹⁴ U.S. Cellular posits that using the unspent CAF Phase I funds to lower the USF

¹³ Competitive Carrier Association Comments at p. 6.

¹⁴ Mediacom Comments at p. 3. See also Mediacom Comments at pp. 15-16. Mediacom also contends at p. 14 that additional CAF Phase I support is unnecessary because “In 2013, price cap LECs will be required to spend over \$750 million in ‘frozen high-cost support’ to ‘build and operate broadband-capable networks used to offer the provider’s own retail broadband service in areas substantially unserved by an unsubsidized competitor.’” Mediacom vastly overstates the frozen support funding that price cap carriers will be required to spend on broadband (under the requirement that they spend one-third of their frozen high cost support on broadband), because the USAC document they cite includes the frozen support for price cap carriers, rate-of-return carriers and competitive ETCs, and the vast bulk of that frozen support goes to rate-of-return carriers. Indeed, as the Commission observed in the USF/ICC Transformation Order at ¶ 26: “Although they serve less than five percent of access lines in the U.S., smaller rate-of-return carriers operate in many of the country’s most difficult and expensive areas to serve. Rate-of-return carriers’ total support from the high-cost fund is approaching \$2 billion annually.”

budget “represents the least objectionable” option.¹⁵ Finally, the American Cable Association endorses either alternative to combining the first round unused CAF Phase I funds with a second round of CAF Phase I support.¹⁶

These alternative suggestions would not serve the public interest nearly as well as the *Further Notice*’s first option. As ADTRAN explained in our initial comments, using the \$185 million to create a one-time reduction in the USF contribution factor would be barely more than a rounding error that would not stimulate any additional calling or otherwise even be noticed by consumers. And while deferral of the funding to CAF Phase II would eventually lead to additional broadband deployment, it would needlessly delay broadband to tens of thousands of unserved or underserved customers. Moreover, the Commission’s “hitting pause” on support for broadband deployment would send the wrong signals to the private capital markets, which will be needed to supply the vast majority of funding for broadband deployment and upkeep even with the government subsidy programs.

ADTRAN Urges the Commission to Reject the Objection to Revisions to the CAF Phase I Rules

In its initial comments, ADTRAN explained why the Commission should take this opportunity to refine the CAF Phase I rules so that the second round funding could be used in a more efficient and effective manner. In contrast, a couple of the commenting parties urged the Commission not to make any changes. The Wireless Internet Service Providers Association (“WISPA”) opposed any modifications to the CAF Phase I rules,¹⁷ and in particular objected to

¹⁵ U.S. Cellular Comments at pp. 13-14.

¹⁶ American Cable Association Comments at pp. 8 and 20-21.

¹⁷ WISPA Comments at p. 1.

the proposal to modify the minimum speeds for which a customer was considered served by broadband.¹⁸ Mediacom tersely stated that it “opposes increasing the amount of Phase I support above the \$775 per location level.”¹⁹

ADTRAN continues to believe that the public interest would be best served by the Commission using this additional time and the experience gained from the first round of CAF Phase I as an opportunity to refine the CAF Phase I rules for the second round. The proposal to expand eligible areas to include territories where subscribers do not have access to broadband that meets the Commission’s 4 Mbps downstream and 1 Mbps upstream standard will help prevent the creation of a set of customers relegated to “second class” broadband. The Commission should also use this opportunity to create funding parameters that account for the variation in the costs of deploying broadband service in different wire centers, rather than solely relying on a \$775 per location metric that was admittedly just a rough, best guess.

As explained above, ADTRAN does not believe the Commission should make major changes to repurpose CAF Phase I. The American Cable Association (“ACA”) in its comments indicated that:

ACA also submits that even where there may be issues with the program, there is insufficient evidence to support the major changes proposed in the FNPRM. Further, it makes no sense given the program’s transitional nature for the Commission to expand the objective, make wholesale changes, or create a complex regulatory scheme which would result in substantial new start-up costs and significant oversight from the Commission and involvement from private parties. It also detracts from the development of the Phase II regime.²⁰

¹⁸ WISPA Comments at p. 5.

¹⁹ Mediacom Comments at n. 46.

²⁰ ACA Comments at p. 21.

ADTRAN concurs with this sentiment, but disagrees with ACA’s characterization of the changes proposed in the *Further NPRM* as “major.” The revisions supported by ADTRAN are relatively minor refinements that will further the Commission’s goal of quickly boosting broadband deployment to tens of thousands of unserved and underserved customers while the Commission finalizes CAF Phase II. ADTRAN thus continues to support the modifications proposed in the *Further NPRM*.

CONCLUSION

The Commission should act promptly to implement a second round of CAF Phase I, and should reject those commenters that argue otherwise. By supplementing the amount of support available to price cap carriers and making changes to the program as suggested in ADTRAN's initial comments, the Commission will best serve the public interest.

Respectfully submitted,

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ViaSat Coverage Map
From Amendment Narrative
ViaSat Application, File No. SAT-AMD-20080623-00131

Figure A.3-1. Satellite Beams

